



September 11, 2008

To the Township Board  
Alcona Township

We have audited the financial statements of the governmental activities, and each major fund, and the aggregate remaining fund information of Alcona Township for the year ended March 31, 2008, and have issued our report thereon dated September 11, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

- 1) As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
- 2) As part of our audit, we considered the internal control of Alcona Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
- 3) We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our discussions about planning matters held prior to the audit field work.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Alcona Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear.

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**WILLIS & JURASEK, P.C.**

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*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The journal entries provided to management, including some that were material misstatements detected as a result of audit procedures, were corrected by management.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the audit report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 11, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board and management of Alcona Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.



To the Township Board  
of Alcona Township

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alcona Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

2008-1: The management of the Township has the ability to produce internal reporting that allows for financial management of the day-to-day operations. However, management relies on the external auditors to prepare its external audit reports. While this may be typical of some smaller municipalities, it is considered a material weakness under SAS 112.

2008-2: Due to the limited personnel in the accounting department, the Township lacks segregation of duties over several areas, including cash receipting, journal entry processes, and cash disbursements. The limited size of the staff does not allow for segregating duties. The Board should be aware of and attempt to establish procedures to minimize this lack of controls.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Of the significant deficiencies described above, we consider Finding 2008-1 to be a material weakness.

This communication is intended solely for the information and use of management, the Township Board and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

September 11, 2008

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**Alcona Township**  
County of Alcona, Michigan

Financial Statements  
And Independent Auditors' Report

Year Ended March 31, 2008

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### Independent Auditors' Report

Township Board of Alcona Township  
Alcona, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alcona Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

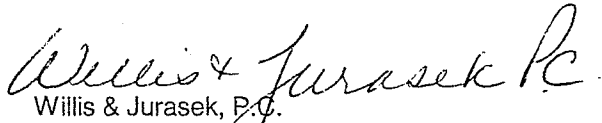
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Alcona Township as of March 31, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Alcona Township has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information, as listed in the table of contents, is not a required part of the financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Township Board of Alcona Township

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Alcona Township's basic financial statements. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Willis & Jurasek P.C.".

Willis & Jurasek, P.C.

September 11, 2008

**Alcona Township**  
Statement of Net Assets  
March 31, 2008

	<b>Primary Governmental Activities</b>
<b>Assets:</b>	
Cash	\$ 869,840
Taxes receivable	29,803
Other receivables	10,519
Capital assets:	
Non-depreciable assets	263,000
Depreciable assets, net	<u>620,423</u>
Total assets	<u>1,793,585</u>
<b>Liabilities:</b>	
Other current liabilities	-
Long-term liabilities:	
Due within one year	33,186
Due in more than one year	<u>339,140</u>
Total liabilities	<u>372,326</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	511,097
Unrestricted	<u>910,162</u>
Total net assets	<u>\$ 1,421,259</u>



**Alcona Township**  
Statement of Activities  
Year Ended March 31, 2008

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 160,793	\$ 1,425	-	\$ (159,368)
Public safety	128,957	-	-	(128,957)
Public works	293,190	-	-	(293,190)
Recreation and culture	6,498	-	-	(6,498)
Total governmental activities	<u>\$ 589,437</u>	<u>\$ 1,425</u>	<u>-</u>	<u>(588,012)</u>
General revenues:				
Property taxes, levied for general purposes				456,028
Interest and rentals				64,604
Intergovernmental				74,923
Miscellaneous				22,988
Total general revenues				<u>618,543</u>
Change in Net Assets				30,531
Net Assets - Beginning of Year				<u>1,390,729</u>
Net Assets - End of Year				<u>\$ 1,421,259</u>

See Notes to Financial Statements.

**Alcona Township**  
Balance Sheet  
Governmental Funds  
March 31, 2008

	<u>General Fund</u>	<u>Road Fund</u>	<u>Fire Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b><u>Assets</u></b>					
Cash	\$ 395,613	\$ 245,679	\$ 218,860	\$ 9,688	\$ 869,840
Receivables:					
Taxes receivable	5,595	11,907	12,032	269	29,803
Due from other funds	10,519	-	-	-	10,519
Total assets	<u>\$ 411,727</u>	<u>\$ 257,586</u>	<u>\$ 230,892</u>	<u>\$ 9,957</u>	<u>\$ 910,162</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:					
Unrestricted	<u>411,727</u>	<u>257,586</u>	<u>230,892</u>	<u>9,957</u>	<u>910,162</u>
Total fund balances	<u>411,727</u>	<u>257,586</u>	<u>230,892</u>	<u>9,957</u>	<u>910,162</u>
Total liabilities and fund balances	<u>\$ 411,727</u>	<u>\$ 257,586</u>	<u>\$ 230,892</u>	<u>\$ 9,957</u>	<u>\$ 910,162</u>

### Alcona Township

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets  
of Governmental Activities on the Statement of Net Assets  
March 31, 2008

**Total Fund Balances - Governmental Funds** \$ 910,162

Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the funds.

The cost of the capital assets is

\$ 1,560,113

Accumulated depreciation is

(676,690)

883,423

Long-term liabilities not due and payable in the current period  
and not reported in the funds:

Capital lease

(73,563)

Note payable

(298,763)

(372,326)

**Total Net Assets - Governmental Activities**

\$ 1,421,259

**Alcona Township**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended March 31, 2008

	<u>General Fund</u>	<u>Road Fund</u>	<u>Fire Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues:</b>					
Taxes	\$ 109,806	\$ 169,922	\$ 169,047	\$ 7,253	\$ 456,028
Intergovernmental	74,923	-	-	-	74,923
Interest and rentals	42,084	13,355	9,165	-	64,603
Other revenue	10,139	6,892	7,382	-	24,413
Total revenues	<u>236,952</u>	<u>190,169</u>	<u>185,594</u>	<u>7,253</u>	<u>619,968</u>
<b>Expenditures:</b>					
General government	139,895	-	-	-	139,895
Public safety	-	-	72,413	-	72,413
Public works	-	293,190	-	-	293,190
Capital outlay	15,536	-	150,041	-	165,577
Recreation and culture	5,719	-	-	6,498	12,217
Total expenditures	<u>161,150</u>	<u>293,190</u>	<u>222,454</u>	<u>6,498</u>	<u>683,292</u>
<b>Revenues Over (Under) Expenditures</b>	<u>75,802</u>	<u>(103,021)</u>	<u>(36,860)</u>	<u>755</u>	<u>(63,324)</u>
<b>Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	<u>75,802</u>	<u>(103,021)</u>	<u>(36,860)</u>	<u>755</u>	<u>(63,324)</u>
<b>Fund Balances - Beginning of Year</b>	<u>335,926</u>	<u>360,606</u>	<u>267,752</u>	<u>9,202</u>	<u>973,486</u>
<b>Fund Balances - End of Year</b>	<u>\$ 411,728</u>	<u>\$ 257,585</u>	<u>\$ 230,892</u>	<u>\$ 9,957</u>	<u>\$ 910,162</u>

See Notes to Financial Statements.

**Alcona Township**  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Governmental Funds  
Year Ended March 31, 2008

**Net Change in Fund Balances - Total Governmental Funds** \$ (63,324)

Amounts reported for governmental activities in the Statement  
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the  
Statement of Activities, these costs are allocated over their estimated  
useful lives as depreciation.

Depreciation expense	\$ (41,515)	
Capital outlay	<u>379,507</u>	337,992

Loan proceeds are reported as financing sources in governmental funds and  
thus contribute to the change in fund balance. In the Statement of Net Assets,  
however, issuing debt increases long-term liabilities and does not affect the  
Statement of Activities. Similarly, repayment of principal is an expenditure in the  
governmental funds but reduces the liability in the Statement of Net Assets.

Current year loan proceeds	300,081	
Repayment of loan principal	<u>55,944</u>	<u>244,137</u>

**Change in Net Assets of Governmental Activities** \$ 30,531

**Alcona Township**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
March 31, 2008

	<u>Tax Collection Fund</u>
<b>Assets:</b>	
Cash	\$ 10,519
Total assets	<u>\$ 10,519</u>
 <b>Liabilities:</b>	
Due to other gov't units	<u>\$ 10,519</u>

**Alcona Township**  
Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies**

The financial statements of Alcona Township have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**Reporting Entity**

Alcona Township operates under an elected Board of Trustees and provides various services to its residents including public safety, community enrichment and development, and human services. The accompanying financial statements of Alcona Township have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The criteria established by the GASB for determining which of the governmental organizations are a part of the Township's reporting entity include oversight responsibility, fiscal dependency, scope of public service, and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the Township does not contain any component units.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Alcona Township**  
Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Fund-Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

**General Fund** – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Road Fund** – The Road Fund is a special revenue fund maintained to account for revenues from a special assessment and expenditures for road construction and maintenance.

**Fire Fund** – The Fire Fund is a special revenue fund maintained to account for the revenues from a special assessment and expenditures for fire protection services.

**Special Revenue Funds** – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. In addition to the special revenue funds reported as major funds (the Road Fund and the Fire Fund), the Township maintains the Island View Fund and the Scott's Park Fund.

Additionally, the government reports the following fund types:

**Fiduciary Fund Types** - The Tax Collection Fund is used to account for assets held in trust or as an agent for others.

**Additional Financial Statement Presentation Information** – Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.



**Alcona Township**  
Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Township reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost. The Township had no investments at March 31, 2008.

State statutes authorize the Township to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

**Receivables and Payables** – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

**Alcona Township**  
Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Capital Assets (Continued)** - The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	39
Equipment and furniture	5 - 12

**Long-Term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for use for specific purposes.

Designations of fund balance represent tentative management plans that are subject to change.

**Property Taxes** - The government's property taxes are levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through February 28; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Alcona County. Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Township for 2007 had a taxable value of approximately \$112,367,707. The government's general operating tax rate for fiscal year 2007-08 was .5064 mills.

**Note 2 - Stewardship, Compliance and Accountability**

The General Fund and Special Revenue funds are under formal budgetary control. The Township adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) General Fund and Special Revenue Funds budgets are presented to the Township Board in February, at which time hearings on the budgets are scheduled.
- 2) The budgets, and an appropriation ordinance implementing them, is then adopted in March.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the General Fund. All other special revenue funds cannot legally exceed their respective fund totals.

**Alcona Township**  
Notes to Financial Statements

**Note 2 - Stewardship, Compliance and Accountability (Continued)**

- 6) The Governing Board has the authority to amend all budgets at the fund level. It further has the right to amend the General Fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing board approval but not between departments. Violations if any, for the General Fund and Special Revenue Funds are noted in the required supplementary information section.
- 8) The budgetary information presented has not been amended during the year by an official action of the Township Board.
- 9) All budget appropriations lapse at the end of each fund's fiscal year.

**Note 3 - Cash and Cash Equivalents**

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ <u>869,840</u>	\$ <u>10,519</u>	\$ <u>880,359</u>

The breakdown for deposits for the Township is as follows:

Deposits (checking, savings accounts and certificates of deposit)	\$ <u>880,359</u>
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**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Village has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, \$706,659 of the Township's bank balance of \$906,659 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township had no investments at year-end.

**Note 4 - Receivables**

Receivables of the governmental activities of the primary government at March 31, 2008, consist of taxes and interest receivables of \$40,322.

**Alcona Township**  
Notes to Financial Statements

**Note 5 - Capital Assets**

Capital assets activity for the year ended March 31, 2008 was as follows:

<b>Primary Government</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals and Adjustments</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 263,000	\$ -	\$ -	\$ 263,000
Total capital assets not being depreciated	<u>263,000</u>	<u>-</u>	<u>-</u>	<u>263,000</u>
Capital assets being depreciated:				
Buildings and improvements	228,264	3,500	-	231,764
Equipment and furniture	<u>689,342</u>	<u>376,007</u>	<u>-</u>	<u>1,065,349</u>
Total capital assets being depreciated	<u>917,606</u>	<u>379,507</u>	<u>-</u>	<u>1,297,113</u>
Accumulated depreciation:				
Buildings and improvements	78,116	4,058	-	82,174
Equipment and furniture	<u>557,059</u>	<u>37,457</u>	<u>-</u>	<u>594,516</u>
Total accumulated depreciation	<u>635,175</u>	<u>41,515</u>	<u>-</u>	<u>676,690</u>
Total capital assets being depreciated - net	<u>282,431</u>	<u>337,992</u>	<u>-</u>	<u>620,423</u>
Governmental activities capital assets - net	<u>\$ 545,431</u>	<u>\$ 337,992</u>	<u>\$ -</u>	<u>\$ 883,423</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General government	\$ 3,142
Public safety	<u>38,373</u>
Total depreciation expense – governmental activities	<u>\$ 41,515</u>

**Note 6 - Long-Term Debt**

The Township issues notes and capital leases to provide for the construction of major capital facilities and the acquisition of certain equipment. The total interest expense for the year was \$5,928.

Long-term obligation activity can be summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities:</b>					
Notes payable	\$ 82,616	\$ -	\$ 9,053	\$ 73,563	\$ 9,403
Capital leases	<u>54,626</u>	<u>300,081</u>	<u>55,944</u>	<u>298,763</u>	<u>23,783</u>
Total governmental activities	<u>\$ 137,242</u>	<u>\$ 300,081</u>	<u>\$ 64,997</u>	<u>\$ 372,326</u>	<u>\$ 33,186</u>

**Alcona Township**  
Notes to Financial Statements

**Note 6 - Long-Term Debt (Continued)**

Annual debt service requirements to maturity on the above governmental obligations are as follows:

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	\$ 33,186	\$ 16,956	\$ 50,142
2010	34,765	15,377	50,142
2011	36,420	13,722	50,142
2012	38,156	11,986	50,142
2013	39,975	10,167	50,142
2014-2018	189,824	22,437	212,261
Total	<u>\$ 372,326</u>	<u>\$ 90,645</u>	<u>\$ 462,971</u>

**Note 7 - Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2008, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

**Note 8 - Defined Contribution Pension Plan**

The Township provides retirement benefits to all of its full-time employees through a 401k Defined Contribution Plan. The plan is administered by Met-Life Insurance Company. Employees are eligible to participate as of the following October 1st after the date of hire. Employer contributions are equal to 15.0% of wages for participating employees.

Employer contributions for the year-end were approximately \$10,000, based on approximately \$75,000 of covered wages and approximately \$91,000 of total wages.

## **Required Supplemental Information**

**Alcona Township**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
Year Ended March 31, 2008

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>Revenues:</b>			
Taxes	\$ 94,160	\$ 94,160	\$ 109,806
Intergovernmental	72,000	72,000	74,923
Interest and rentals	14,000	14,000	42,084
Other revenue	267,461	267,461	10,139
Total revenues	<u>447,621</u>	<u>447,621</u>	<u>236,952</u>
<b>Expenditures:</b>			
General government:			
Legislative (Township Board)	3,000	3,000	3,075
Executive	10,500	10,500	10,973
Assessor	25,800	25,800	25,164
Treasurer	13,364	13,364	13,751
Clerk	12,500	12,500	12,666
Zoning	4,500	4,500	3,443
Board of Appeals	2,000	2,000	274
Planning Board	9,000	9,000	6,047
Township Hall	110,921	110,921	56,591
Other	29,036	29,036	7,911
Total general government	<u>220,621</u>	<u>220,621</u>	<u>139,895</u>
Public Works:			
Capital outlay	<u>220,000</u>	<u>220,000</u>	<u>15,536</u>
Total capital outlay	<u>220,000</u>	<u>220,000</u>	<u>15,536</u>
Recreation and culture	<u>7,000</u>	<u>7,000</u>	<u>5,719</u>
Total expenditures	<u>447,621</u>	<u>447,621</u>	<u>161,150</u>
<b>Revenues Over (Under) Expenditures</b>	-	-	75,802
<b>Other Financing Sources (Uses):</b>			
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	-	-	75,802
<b>Fund Balances - Beginning of Year</b>	<u>335,926</u>	<u>335,926</u>	<u>335,926</u>
<b>Fund Balances - End of Year</b>	<u>\$ 335,926</u>	<u>\$ 335,926</u>	<u>\$ 411,728</u>

**Alcona Township**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Road Fund  
Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues:</b>			
Taxes	\$ 167,490	\$ 167,490	\$ 169,922
Interest and rentals			\$ 13,355
Other revenue	236,423	236,423	6,892
Total revenues	<u>403,913</u>	<u>403,913</u>	<u>190,169</u>
<b>Expenditures:</b>			
Public works	<u>403,913</u>	<u>403,913</u>	<u>293,190</u>
Total expenditures	<u>403,913</u>	<u>403,913</u>	<u>293,190</u>
<b>Net Changes in Fund Balances</b>	-	-	(103,021)
<b>Fund Balances - Beginning of Year</b>	<u>360,606</u>	<u>360,606</u>	<u>360,606</u>
<b>Fund Balances - End of Year</b>	<u>\$ 360,606</u>	<u>\$ 360,606</u>	<u>\$ 257,585</u>



**Alcona Township**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Fire Fund  
Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues:</b>			
Taxes	\$ 155,000	\$ 155,000	\$ 169,047
Interest and rentals	-	-	9,165
Other revenue	109,819	109,819	7,382
Total revenues	<u>264,819</u>	<u>264,819</u>	<u>185,594</u>
<b>Expenditures:</b>			
Public safety	264,819	264,819	72,413
Capital outlay			150,041
Total expenditures	<u>264,819</u>	<u>264,819</u>	<u>222,454</u>
<b>Net Changes in Fund Balances</b>	-	-	(36,860)
<b>Fund Balances - Beginning of Year</b>	<u>267,752</u>	<u>267,752</u>	<u>267,752</u>
<b>Fund Balances - End of Year</b>	<u><u>\$ 267,752</u></u>	<u><u>\$ 267,752</u></u>	<u><u>\$ 230,892</u></u>

## **Other Supplemental Information**

**Alcona Township**  
**Combining Balance Sheet**  
Other Nonmajor Governmental Funds  
March 31, 2008

	<u>Island View Fund</u>	<u>Scott's Park Fund</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash	\$ 2,844	\$ 6,844	\$ 9,688
Receivables:			
Taxes receivable	137	132	269
Total assets	<u>\$ 2,981</u>	<u>\$ 6,976</u>	<u>\$ 9,957</u>
<b><u>Liabilities and Fund Balances</u></b>			
Liabilities:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:			
Unrestricted	2,981	6,976	9,957
Total fund balances	<u>2,981</u>	<u>6,976</u>	<u>9,957</u>
Total liabilities and fund balances	<u>\$ 2,981</u>	<u>\$ 6,976</u>	<u>\$ 9,957</u>

**Alcona Township**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Other Nonmajor Governmental Funds  
Year Ended March 31, 2008

	<u>Island View Fund</u>	<u>Scott's Park Fund</u>	<u>Total</u>
<b>Revenues:</b>			
Taxes	\$ 1,235	\$ 6,018	\$ 7,253
Total revenues	<u>1,235</u>	<u>6,018</u>	<u>7,253</u>
<b>Expenditures:</b>			
Recreation and culture	965	5,533	6,498
Total expenditures	<u>965</u>	<u>5,533</u>	<u>6,498</u>
<b>Net Changes in Fund Balances</b>	270	485	755
<b>Fund Balances - Beginning of Year</b>	<u>2,711</u>	<u>6,491</u>	<u>9,202</u>
<b>Fund Balances - End of Year</b>	<u><u>\$ 2,981</u></u>	<u><u>\$ 6,976</u></u>	<u><u>\$ 9,957</u></u>